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June 17, 2005  
**VIA FEDERAL EXPRESS**

Sharla Dillon, Dockets Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

RE: Docket No. 04-00371

Dear Ms. Dillon:

Enclosed herewith for filing in the above referenced matter are the original and 13 conformed copies of the following reports:

1. Preliminary Report of Action of a Pre-Issuance Hedge Entered Into Pursuant to Docket No. 04-00371; and
2. Report of Action in Connection with the Sale of 4.40% Senior Notes, Series J, Due 2010 and 5% Senior Notes, Series K, Due 2017.

If you have any questions, please do not hesitate to contact the writer.

Very sincerely yours,

**HUNTER, SMITH & DAVIS, LLP**

  
William C. Bovender

WCB/pl  
Enclosures

cc: William E. Johnson, Esq. (w/out encl.)  
James R. Bacha, Esq. (w/out encl.)

TENNESSEE:

Before the

TENNESSEE REGULATORY AUTHORITY

2005 JUN 20 AM 9:48

REPORT

of

APPALACHIAN POWER COMPANY

TR A DOCKET ROOM

Docket No. 04-00371

PRELIMINARY REPORT OF ACTION  
OF A PRE-ISSUANCE HEDGE  
ENTERED INTO PURSUANT TO  
DOCKET NO. 04-00371

1. Appalachian Power Company ("APCo") has entered into the following pre-issuance hedge pursuant to Docket No. 04-00371:

<u>Beginning Date</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Security to be Issued</u>	<u>Agreement Description</u>
6/1/05	9/30/05	\$50mm	Up to \$200mm 10 year notes in Sept. 2005	Forward starting 10 year interest rate swap (APCo pays fixed of 4.355%, counterparty pays float)

2. The following pre-issuance hedges (including some not subject to reporting requirements) have been settled in connection with the issuance by APCo of \$150,000,000 of 4.40% Senior Notes, Series J, Due 2010 and \$250,000,000 of 5% Senior Notes:

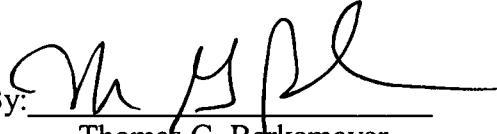
<u>Beginning Date</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Security to be Issued</u>	<u>Agreement Description</u>
2/4/05	6/15/05	\$25mm	Up to \$250mm 10 year notes in June 2005	Forward starting 10 year interest rate swap (APCo paid fixed of 4.5465%, counterparty paid float)
1/28/05	6/15/05	\$25mm	Up to \$250mm 5 year notes in June 2005	Forward starting 5 year interest rate swap (APCo paid fixed of 4.206%, counterparty paid float)
1/24/05	6/15/05	\$25mm	Up to \$250mm 10 year notes in June 2005	Forward starting 10 year interest rate swap (APCo paid fixed of 4.628%, counterparty paid float)

Previously settled pre-issuance hedges continued:

<u>Beginning Date</u>	<u>Maturity Date</u>	<u>Notional Amount</u>	<u>Security to be Issued</u>	<u>Agreement Description</u>
7/2/04	6/15/05	\$65mm	Up to \$250mm 10 year notes in June 2005	Forward starting 10 year interest rate swap (APCo paid fixed of 5.35%, counterparty paid float)
6/28/04	6/15/05	\$60mm	Up to \$250mm 10 year notes in June 2005	Forward starting 10 year interest rate swap (APCo paid fixed of 5.59%, counterparty paid float)
6/30/04	6/15/05	\$60mm	Up to \$250mm 5 year notes in June 2005	Forward starting 5 year interest rate swap (APCo paid fixed of 4.987%, counterparty paid float)
8/4/04	6/15/05	\$65mm	Up to \$250mm 5 year notes in June 2005	Forward starting 5 year interest rate swap (APCo paid fixed of 4.7245%, counterparty paid float)

Respectfully submitted this 13th day of June, 2005.

APPALACHIAN POWER COMPANY

By:   
Thomas G. Berkemeyer  
Assistant Secretary

TENNESSEE:

Before the

2005 JUN 20 AM 9:47

TENNESSEE REGULATORY AUTHORITY

TR A. DOCKET ROOM

REPORT

of

Docket No. 04-00371

APPALACHIAN POWER COMPANY

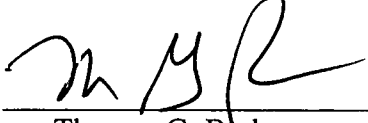
REPORT OF ACTION IN CONNECTION WITH  
THE SALE OF 4.40% SENIOR NOTES, SERIES J, DUE 2010 AND 5% SENIOR NOTES,  
SERIES K, DUE 2017

APPALACHIAN POWER COMPANY ("Appalachian") reports as follows:

1. Pursuant to the Order of this Commission, dated November 30, 2004, in Docket No. 04-00371, Appalachian issued \$150,000,000 aggregate amount of 4.40% Senior Notes, Series J, due 2010 and \$250,000,000 aggregate amount of its 5% Senior Notes, Series K, due 2017.
2. Issue date: June 7, 2005.
3. Amount issued: \$400,000,000.
4. Interest Rate: 4.40% for Series J and 4.95% for Series K
5. Maturity date: June 1, 2010 for Series J and June 1, 2017 for Series K.
6. Net Proceeds: \$148,815,000 for Series J and \$248,202,500 for Series K
7. Itemized List of Expenses: See Exhibit A.
8. Pro-forma Balance Sheet: See Exhibit B.
9. Securities paid at maturity: Appalachian's 4.80% Senior Notes, Series E, due June 15, 2005 in the aggregate principal amount of \$450,000,000.

Respectfully submitted this 10<sup>th</sup> day of June, 2005.

APPALACHIAN POWER COMPANY

By:   
Thomas G. Berkemeyer  
Assistant Secretary

## EXHIBIT A

Expenses:

	Series J	Series K
Auditor	\$ 21,000	\$ 21,000
Moody's	40,000	40,000
S&P	24,750	41,250
Fitch	30,000	40,000
Legal Fees	10,000	10,000
Trustee	5,000	5,000
Printing	2,500	2,500
Miscellaneous	<u>20,500</u>	<u>20,500</u>
Total	<u>\$ 153,750</u>	<u>\$ 180,250</u>

**APPALACHIAN POWER COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
 March 31, 2005 As-Reported and June 7, 2005 Pro-Forma  
 (Unaudited)

	<u>As-Reported</u>	<u>Adjustments</u> (in thousands)	<u>Pro-Forma</u>
<b><u>ASSETS</u></b>			
Electric Utility Plant	6,638,296		6,638,296
Accumulated Depreciation and Amortization	2,458,894		2,458,894
<b>TOTAL - NET ELECTRIC UTILITY PLANT</b>	<u>4,179,402</u>		<u>4,179,402</u>
<b>OTHER PROPERTY AND INVESTMENTS</b>	<u>33,863</u>		<u>33,863</u>
<b><u>CURRENT ASSETS</u></b>			
Cash and Cash Equivalents <sup>(1)</sup>	16,208	431,655	447,863
Advances to Affiliates	29,054		29,054
Other Current Assets	568,557		568,557
<b>TOTAL CURRENT ASSETS</b>	<u>613,819</u>	<u>431,655</u>	<u>1,045,474</u>
<b>DEFERRED DEBITS AND OTHER ASSETS<sup>(2)</sup></b>	<u>677,996</u>	<u>19,463</u>	<u>697,459</u>
<b>TOTAL ASSETS</b>	<u>\$5,505,080</u>	<u>\$451,118</u>	<u>\$5,956,198</u>
<b><u>CAPITALIZATION AND LIABILITIES</u></b>			
Shareholder's Equity <sup>(3)</sup>	1,566,264	(900)	1,565,364
Long-term Debt	1,352,724	452,018	1,804,742
<b>TOTAL CAPITALIZATION</b>	<u>2,918,988</u>	<u>451,118</u>	<u>3,370,106</u>
<b><u>CURRENT LIABILITIES</u></b>			
Long-term Debt Due Within One Year	630,010		630,010
Advances from Affiliates	-		-
Other Payables	610,622		610,622
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,240,632</u>	<u>-</u>	<u>1,240,632</u>
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>	<u>1,345,460</u>		<u>1,345,460</u>
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<u>\$5,505,080</u>	<u>\$451,118</u>	<u>\$5,956,198</u>

Pro-Forma includes the following adjustments since March 31, 2005

- a) Maturity of \$50 million on May 1, 2005
- b) Issue of \$100 million Intercompany Note May 31, 2005 with no issuance expenses
- c) Redemption of \$45 million First Mortgage Bonds at 104 0% on June 2, 2005
- d) \$400 million Senior Notes issued June 7, 2005, with net cash proceeds after issuance and hedging expenses of \$378 million

(1) Reflects all cash proceeds and costs from a, b, c and d above

(2) Reflects issuance, hedging and redemption costs that are deferred and amortized in future periods

(3) Reflect reduction in income as result of expensing of approximately 50% of call premium in c above for Virginia jurisdiction

Pro-Forma does not include transactions after the June 7, 2005 senior note issue date

The Company expects to retire at maturity \$450 million of Senior Notes on June 15, 2005 and \$30 million of FMBs on June 22, 2005